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administration. If the courts should hold that any portion of it is unconstitutional, the legislature may be relied upon to enact a new law with the offending clause omitted or changed. If it appears that the rates are too low to raise the revenue required, the law will be strengthened in this particular. It must be admitted that there are obvious defects in the law; but these will be no doubt remedied. The people are impatient of obstacles, and the tax reform movement has gathered such momentum and is backed by such a force of public sentiment that its onward progress cannot be stayed.

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RECENT TAX LEGISLATION IN IOWA

THE tax legislation of 1911 is the most important and comprehensive ever enacted on this subject by any one General Assembly in Iowa, with the possible exception of that of 1872, when the ad valorem system was applied to railroads. Aside from a number of minor acts with reference to tax exemptions and special tax levies for the destruction of noxious weeds, building of roads and bridges, drainage, and various other purposes, the following important revenue measures were passed: a law providing a flat rate of five mills in lieu of the old general property tax on moneys and credits; repeal of the tax ferret or tax inquisitor law; a careful revision of the collateral inheritance tax law; and, finally, the creation of a special tax commission to investigate the whole revenue system and make a report to the next General Assembly.

The law abolishing the general property tax and providing in lieu thereof a flat rate of five mills is the result of at least a quarter of a century of fiscal evolution. The taxation of mortgages as an interest in real estate, the total exemption of mortgages from taxation, repeal of the law granting a deduction of debts from the amount of moneys

and credits listed for taxation, the deduction of debts from personal property and even from real estate, an arbitrary regulation of the interest rate in order to prevent the shifting of taxes from the creditor to the debtor class,—these and other measures have been suggested since 1885. When the last General Assembly convened the time was ripe for a radical change. The total failure of the general property tax from the standpoint of administration, indicated by assessment at about one-eighth of actual value, had resulted in rates of taxation which, imposed upon moneys and credits listed at full value, amounted to a practical confiscation of property. Some form of relief was imperative. Added to these considerations the last Census revealed the fact that Iowa was the only state in the Union that had decreased in population during the last decade, a fact which was immediately seized upon to prove that the general property tax on moneys and credits had driven capital out of the state and thus had prevented the normal growth of manufactures and commerce.

The law as enacted places a flat rate of five mills on all moneys and credits excepting shares of stock of national, state, and savings banks, as well as loan and trust companies and moneyed capital as defined in section five thousand two hundred and nineteen (5,219) of the Revised Statutes of the United States. A deduction of just debts may be made from moneys and credits subject to the flat rate, but this provision does not apply to shares of stock of national, state, and savings banks, or loan and trust companies and moneyed capital in competition with banks.

The provision of the law relating to bank stock, which in reality constitutes a separate and distinct act, may be clearly understood from the following section:—

“For the purpose of placing the taxation of bank and loan and trust company stock and moneyed capital as nearly as possible upon a taxable value relatively equal to the taxable value at which other property is now actually assessed throughout the state as compared with the actual value thereof, it is hereby provided that state, savings, and

national bank stock, and loan and trust company stock and moneyed capital shall be assessed and taxed upon the taxable value of twenty per cent of the actual value thereof, determined as herein provided, which twenty per cent of the actual value shall be taken and considered as the taxable value and shall be taxed as other property in such taxing district."

The second fiscal measure of importance passed by the last General Assembly was the repeal of the so-called tax inquisitor law of 1900. By the provisions of this act it is made unlawful "for the council of any city or town, including cities under special charter and the commission plan, or for the board of supervisors of any county, to employ or contract with any person, corporation or firm to assist the proper officers in the discovery of property not listed or assessed for taxation as required by law."

It was necessary to make the law broad enough not only to repeal the legislation of 1900 but also to prevent the employment of tax inquisitors by any possible construction of the Code of 1897. Prior to 1900, the hiring of ferrets had been sanctioned by the courts and a fee of fifty per cent of the amount of tax collected had been held to be legal. In fact the so-called tax inquisitor law of 1900 was a limitation of powers already recognized, and not in any sense a grant of new power. The repealing act was passed early in the session as a precautionary measure in order to remove from the State House an undesirable lobby which might defeat the flat-rate system or any other desirable substitute for the general property tax on moneys and credits. With this accomplished the course of fiscal legislation was greatly simplified. The way was paved for what may prove to be a scientific reform of the Iowa revenue system.

In the third place the collateral inheritance tax law originally passed in 1896 was completely redrafted and substantially improved. But it should not be forgotten that this law is no better and no worse than the decentralized and largely perfunctory system of administration of which

it is a part. The thing which is now imperatively demanded is a permanent tax commission and county assessors, or at least county supervisors of assessment, in order to give this law, the same as the general property tax itself, what it most needs, — simplicity, directness, and administrative vitality. Numerous verbal changes, suggested for the most part by the State Treasury Department, have simplified the law, but the machinery of administration remains the same with all its imperfections.

The last measure, but from the standpoint of the future, let us hope, the most important revenue measure enacted by the last General Assembly, was that providing for a temporary tax commission of five members serving on a *per diem* basis and having an appropriation of ten thousand dollars. This commission is given power to make a thoro investigation of the tax system of Iowa and other states, draft the necessary bills, and make recommendations to the next General Assembly.

The powers granted the commission are thus clearly specified: "It shall be the duty of said commission to examine into tax assessment, tax levy and tax collection laws of the state of Iowa, and of other states, and use such means and make such investigations as it shall deem best to secure information, for the purpose of ascertaining whether the present laws of the state of Iowa regulating the assessment, levying and collection of taxes may not be improved, and to report its findings together with such recommendations as it may deem desirable, to the governor not later than October 1, 1912, together with bills intended to carry out its recommendations, and a detailed statement of the expenses of the commission as provided therein. The report and recommendations of the commission shall be transmitted by the governor to both branches of the general assembly of 1913, and copies of said report and recommendations shall be printed by the state printer and bound by the state binder in such quantity as the executive council may determine and a copy sent by the governor to each member of the general assembly by December 1, 1912."

As secretary of the special tax commission, the writer is permitted to state that the members are unanimous in favor of a permanent state tax commission, also of making the county rather than the township the real unit for purposes of assessment and equalization. Four members of the Iowa commission attended the National Tax Conference recently held at Richmond, Virginia, and were much impressed by the emphasis placed on efficient administration, in the deliberations of that body. If present plans materialize we expect to hold a State Tax Conference in the near future, thus affording an opportunity for public expression which will enable the tax commission to determine what measure of centralized administration will be practicable. There is every prospect that substantial progress in fiscal reform will be made by the next General Assembly.

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THE TAXATION OF INTANGIBLE PROPERTY IN MINNESOTA

IN their First Biennial Report, issued in 1908, the Minnesota Tax Commission recommended the taxation of money, credits, and several other classes of intangible property at a low flat rate of from three to four mills. In the spring of 1910 a bill embodying these views was passed by the lower branch of the state legislature, but was not acted upon by the senate. In their Second Biennial Report the Commission returned to the subject and repeated their former recommendation, going at some length into the history of the workings of the general property tax as applied to intangible personalty both in Minnesota and other states. The outcome was an act, approved on April 19th of the present year (1911), providing for the taxation by the state